

WAC 458-20-165

Laundries, dry cleaners, self-service laundries and dry cleaners

(1) **Introduction.** This rule discusses the application of the business and occupation (B&O), retail sales, and use taxes to laundries, dry cleaners, pickup and delivery services, and self-service laundries and dry cleaners. Persons selling laundry and/or dry cleaning services are generally making retail sales, except when making sales to nonprofit health care facilities or providing coin-operated laundry facilities in apartment houses, rooming houses, or mobile home parks. RCW 82.04.050.

(2) **Definitions.** The following definitions apply to this rule.

(a) A "laundry or dry cleaning business" includes operating a plant or establishment, or contracting with others, for laundering, cleaning, dyeing, pressing, and incidentally repairing such articles as clothing, linens, bedding, towels, curtains, drapes, and rugs. Laundry or dry cleaning businesses include self-service businesses which provide coin-operated and noncoin-operated laundry or dry cleaning facilities. This term also includes pickup and delivery laundry services performed by persons operating in their own respective names and not as commissioned agent for another laundry business.

(b) A "laundry or linen supply service" is the activity of providing customers with a supply of items such as clean linen, uniforms, and towels, whether ownership of such property is in the person operating the laundry or linen supply service or in the customer. The term includes supply services operating their own cleaning establishments as well as those contracting with other laundry or dry cleaning businesses.

(c) "Nonprofit health care facilities" means facilities operated by nonprofit organizations providing diagnostic, therapeutic, convalescent, or preventive inpatient or outpatient health care services. The term includes, but is not limited to, nonprofit hospitals, nursing homes, and hospices.

(3) **Business and Occupation Tax.** Business and occupation tax applies as follows.

(a) **Retailing.** Persons operating laundry or dry cleaning businesses are generally taxable under the retailing classification upon the gross proceeds of sales, without any deduction on account of commissions allowed or amounts paid to another for the performance of all or part of the laundry or dry cleaning service rendered.

The gross proceeds of sales include charges for cleaning and for sales of soap, bleach, fabric softener, laundry bags, hangers, and other tangible personal property to consumers. Charges for alterations are also subject to the retailing classification. See "retail sales tax" below for a more detailed explanation of the charges included in the retailing classification.

(b) **Wholesaling.** Tax is due under the wholesaling classification upon the gross proceeds of sales derived from laundry or dry cleaning services rendered for other laundry and dry cleaning businesses. The laundry or dry cleaning business purchasing these services should provide a resale certificate to the seller. See WAC 458-20-102 (Resale certificates).

(c) **Service and other activities.** Effective June 11, 1998, any person making sales of laundry services to a nonprofit health care facility is taxable under the service and other activities B&O classification on the gross income received for such services. For the period of July 1, 1993-June 10, 1998, the service and other activities B&O tax applied only to sales of laundry services to members by nonprofit associations composed exclusively of nonprofit hospitals.

(i) Effective July 1, 1998, the service and other activities BO tax applies to charges for the use of coin-operated laundry facilities in apartment houses, rooming houses, or mobile home parks

which are provided for the exclusive use of tenants. Chapter 275, Laws of 1998. Prior to this date these charges were considered a retail sale.

(ii) Persons who collect and distribute laundry or dry cleaning as a commissioned agent for one or more laundry or dry cleaning businesses, and who act as an independent contractor rather than as an employee, are liable for service B&O tax on their gross commissions. See WAC 458-20-159 for the recordkeeping requirements for showing agency status.

(4) **Retail Sales Tax.** Laundry and dry cleaning businesses, including self-service or coin-operated laundries or dry cleaners, and laundry or linen supply services are required to collect the retail sales tax upon the total charge made to the consumer for laundry and dry cleaning service or laundry or linen supply service.

(a) Persons in Washington who provide laundry or linen supply services are making retail sales in this state even though their customers may be located outside this state. Gross income from such services is subject to tax because the charge is for laundering which takes place in this state, rather than being a true rental of property (e.g., uniforms, linen, and towels) to nonresidents. Conversely, persons located outside the state of Washington who provide laundry or linen supply services to consumers in this state are not making retail sales in this state. The laundering service is performed outside Washington state and is exempt from Washington's BO and retail sales taxes.

(b) Prior to July 1, 1998, charges made for the use of coin-operated laundry facilities provided for the exclusive use of tenants in apartment houses, rooming houses, or mobile home parks were retail sales. This income is subject to the service and other activities B&O tax effective July 1, 1998. (Chapter 275, Laws of 1998.) Charges for the use of coin-operated laundry facilities in hotels, motels, trailer camps, and other locations providing lodging or camping facilities to transients remain subject to the retail sales tax.

(c) Laundry and dry cleaning businesses providing services through commissioned agents should collect and remit the retail sales tax to the department.

(i) If the agent is a hotel or an apartment house billing guests or tenants for laundry or dry cleaning services, the hotel or apartment house should collect the retail sales tax on the total charge for the laundry or dry cleaning and remit the payment to the laundry or dry cleaning business. The laundry or dry cleaning business is responsible for remitting the tax to the department.

(ii) If the agent is a commissioned driver, the laundry or dry cleaning business can bill the customer directly for the services or the driver can collect the payment from the customer and remit the payment to the laundry or dry cleaning business. In either case, the retail sales tax must be collected on the total charge made to the customer and the laundry or dry cleaning business is responsible for remitting the tax to the department.

(d) In most cases the retail sales tax must be stated separately from the selling price or collected separately from the buyer. (See RCW 82.08.050.) An exception is made for coin-operated sales. The seller may deduct the tax from the total amount received in coin-operated machines to arrive at the net amount which becomes the measure of the tax.

(e) In general, the place of sale for purposes of local sales tax is the place the laundry or dry cleaning services are performed. See WAC 458-20-103 and 458-20-145.

(i) If a laundry or dry cleaning business contracts with another laundry or dry cleaning business to do the cleaning, the place of sale is the location of the laundry or dry cleaning business used by the customer to drop off and pickup the laundry.

(ii) If a laundry or dry cleaning business uses a commissioned agent such as a hotel, an apartment

house, or a commissioned driver for pickup and delivery of the articles to be cleaned, the place of sale is the location of the laundry or dry cleaning business which does the cleaning.

(f) Sales to laundries or dry cleaning businesses and laundry or linen supply services of soaps, cleaning solvents, and other articles or substances consumed in rendering a laundry, laundry supply or cleaning service are retail sales and are subject to the retail sales tax. Retail sales tax also applies to sales of equipment such as washing machines, irons, and furniture, and supplies such as hand tools, sewing notions, scissors, spotting brushes, and stationery.

(g) Sales to laundry and dry cleaning businesses of dyes, fabric softeners, starches, sizing, and similar articles or substances, which become ingredients of the articles cleaned, are generally sales at wholesale and are not subject to the retail sales tax. Similarly, sales to persons operating laundry or linen supply services of linen, uniforms, towels, cabinets, hand soap, and similar property rented or supplied to customers as a part of the service rendered are generally wholesale sales.

Persons selling laundry services to nonprofit health care facilities are considered consumers of all items used in providing such services. RCW 82.04.190 (2)(a). As a result, sales of items such as dyes, fabric softeners, linens, and uniforms to these persons are retail sales and subject to the retail sales tax.

(h) Sales to self-service or coin-operated laundries of any items the laundries give to their customers are retail sales. Sales of soap, bleach, fabric softener or other supplies to self-service or coin-operated laundries for resale to their customers are wholesale sales. A sale is for resale if the self-service business sells the supplies to customers separate from the charge for the use of the laundry appliances. The laundry or dry cleaning business should provide a resale certificate to the seller as provided in WAC 458-20-102.

(5) **Deferred Sales or Use Tax.** With respect to purchases by laundries or dry cleaning businesses and laundry or linen supply services, if the seller fails to collect the appropriate retail sales tax, the buyers are required to pay the retail sales tax (commonly referred to as the "deferred sales tax") or use tax to the department.

[Statutory Authority: RCW 82.32.300. 99-13-052, § 458-20-165, filed 6/9/99, effective 7/10/99. Statutory Authority: RCW 82.32.300 and 82.04.050. 94-09-016, § 458-20-165, filed 4/13/94, effective 5/14/94. Statutory Authority: RCW 82.32.300. 83-07-033 (Order ET 83-16), § 458-20-165, filed 3/15/83; Order ET 73-1, § 458-20-165, filed 11/2/73; Order ET 70-3, § 458-20-165 (Rule 165), filed 5/29/70, effective 7/1/70.]